

**California Actuarial Advisory Panel**



Paul Angelo  
Senior Vice President  
and Actuary  
Segal Consulting  
Chairperson

John Bartel  
President  
Bartel Associates  
Vice Chairperson

Ian Altman  
Managing Partner  
Altman and Cronin Benefit  
Consultants, LLC

David Driscoll  
Principal and Consulting Actuary  
Buck Consultants

David Lamoureux  
Deputy System Actuary  
California State Teachers'  
Retirement System

Steve Ohanian  
Retired, Former Vice President  
and Consultant  
Segal Consulting

Graham Schmidt  
Consulting Actuary  
Cheiron, Inc.

Scott Terando  
Chief Actuary  
CalPERS

October 9, 2017

Natalie Sidarous  
State Controller's Office  
Local Government Programs and Services Division  
Chief, Bureau of Tax Administration and Government Compensation  
3301 C Street, Suite 740  
Sacramento, CA 95816

**SUBJECT:** State Controller's Office Government Compensation Database

Dear Ms. Sidarous:

The State Controller's Office (SCO) maintains the Government Compensation in California website, which provides information on employee pay and benefits for approximately 2 million positions at more than 5,000 public employers. Data is collected and published on this website because the Legislature explicitly authorized the SCO to collect compensation data and required SCO to publish the information on its website.

The dollar-related items shown on the website are:

- Wages (average and/or total, depending on the specific report)
- Retirement and Health Cost (average and/or total, depending on the specific report)

At the California Actuarial Advisory Panel (CAAP) August 18, 2017 meeting, the SCO requested assistance from the CAAP regarding the defined benefit element of the item "Retirement Cost." The SCO indicated that employer reporting is not consistent, with some agencies reporting the Normal Cost only and others reporting the total agency retirement contribution. The SCO would like CAAP to recommend an approach so that the reported values are reasonable and consistent.

We reviewed SCO's website and the underlying legislation, but could not find an explicit statement of purpose for the collection and publication of this data on either source. We believe there are two potential purposes:

Natalie Sidarous

October 9, 2017

Page 2

1. Show the cost allocated to the reporting year for current employees. The annual cost of the benefit is consistent with the concept of compensation earned during the year but is not consistent with the employer's cost of providing the defined benefit plan for all participants (including retirees).
2. Show the cost in the reporting year of providing the defined benefit retirement plan to an agency's employees and former employees (including retirees). This concept is consistent with what an employer paid in a specific year to maintain the defined benefit plan. It is most likely consistent with how taxpayers might view the cost of providing the benefit.

If the purpose is as described in #1 above, we suggest that employers provide the Normal Cost in dollars.

If the purpose is as described in #2 above, we suggest that employers provide the sum of:

- Normal Cost
- Payment on the Unfunded Actuarial Liability
- Debt service payment on any Pension Obligation Bond that the employer has issued

In either case the employer may need to apply a percentage to pensionable wages in order to arrive at a dollar value.

Please note the above discussion does not address administrative expenses because administrative expenses are handled in a variety of ways by different systems and are typically a small portion of total cost.

Please let us know if you need clarification on the above or if you have any further questions.

Sincerely,



Paul Angelo  
Chair, California Actuarial Advisory Panel

cc: Panel members  
John Bartel, Vice Chair  
Ian Altman  
David Driscoll  
David Lamoureux  
Steve Ohanian  
Graham Schmidt  
Scott Terando